

Missouri Business Growth

In the first of a series examining large and small business trends in Missouri, this report details the growth rate of *establishments*, single physical locations, with regard to employment.

Employment Growth by Establishment Size 1st Quarter 2005 – 1st Quarter 2006

Private Sector Establishments by Employment Size				
Size Class	Number of Establishments		Numeric Change	Percent Change
	1Q2005	1Q2006	1Q05-1Q06	1Q05-1Q06
Less than 5	92,880	94,401	1,521	1.6%
5-9	27,683	28,073	390	1.4%
10-19	19,219	19,343	124	0.6%
20-49	12,957	13,182	225	1.7%
50-99	4,312	4,396	84	1.9%
100-249	2,294	2,332	38	1.7%
250-499	565	584	19	3.4%
500-999	213	212	-1	-0.5%
1000+	105	107	2	1.9%
Total	160,228	162,630	2,402	1.5%

In the first quarter of 2006, there were 162,630 private business establishments in Missouri employing 2,226,722 workers. This was an increase of 2,402 establishments since the first quarter of 2005. Establishments employing less than 5 made up the largest increase by size class, adding over 1,500 new establishments.

In the first quarter of 2006, employment by Missouri business establishments topped 2.2 million. This was an increase of 36,965 workers over the first quarter of 2005. Establishments employing 250-499 had the largest numeric change in employment over the year, adding nearly 9,000 workers.

Private Sector Employment by Establishment Employment Size				
Size Class	Number of Employment		Numeric Change	Percent Change
	1Q2005	1Q2006	1Q05-1Q06	1Q05-1Q06
Less than 5	147,154	148,849	1,695	1.2%
5-9	183,661	186,821	3,159	1.7%
10-19	260,318	261,224	905	0.3%
20-49	387,758	395,490	7,732	2.0%
50-99	295,258	301,271	6,012	2.0%
100-249	343,110	350,221	7,112	2.1%
250-499	194,297	203,210	8,913	4.6%
500-999	147,272	145,757	-1,515	-1.0%
1000+	230,928	233,879	2,951	1.3%
Total	2,189,757	2,226,722	36,965	1.7%

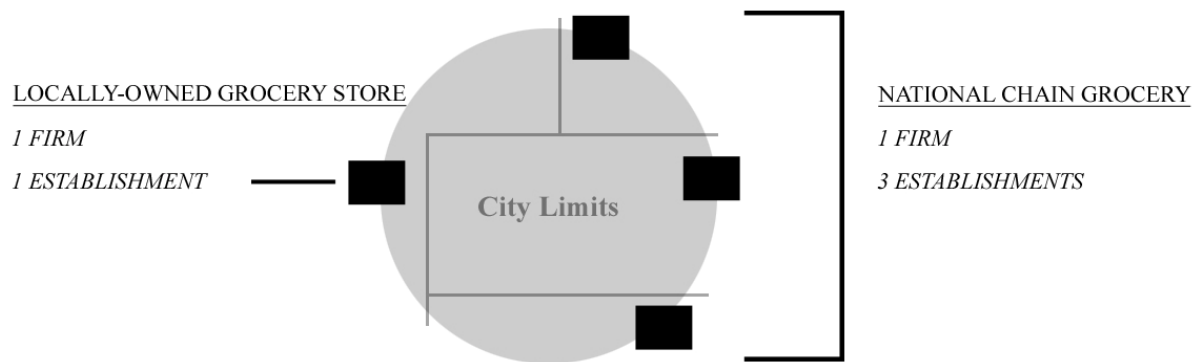
Part two in the series examines the employment size class in terms of firm ownership and number of locations.

Source: MERIC and U.S. Bureau of Labor Statistics, Quarterly Census of Employment and Wages

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When comparing growth between small businesses and large companies, it is important to understand the relationship between an establishment and a firm. Business size is usually determined by employment. However, employment can be measured by each location or by the company as a whole.

Understanding Firms and Establishments: Grocery Store Example



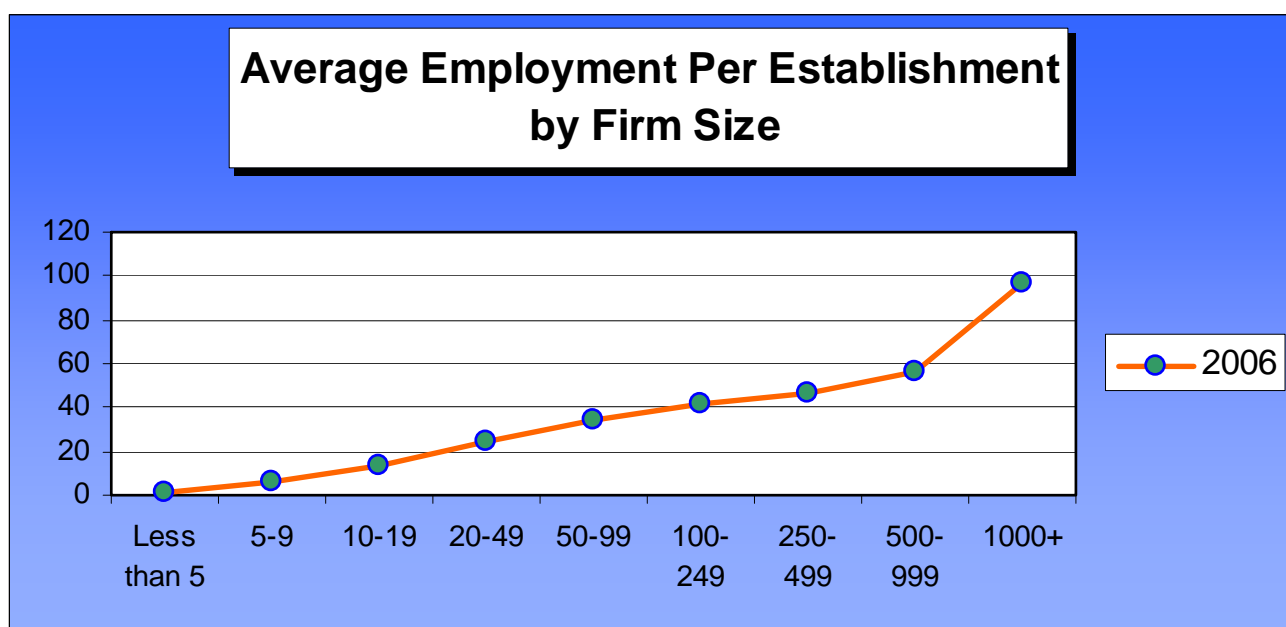
The term *firm* is used to describe the company as a whole. It represents all locations which fall under the same unemployment insurance number or UI code. Firms can represent one or more physical locations. The example above shows the two types of firms, a single location and a multi-location. The term *establishment* is used to describe a single physical location, in which case, it could be either a firm unto itself (locally-owned grocery store) or one of the multiple locations within a firm (national chain grocery).

Defining Small Business

Business size is often treated as establishment size. In the example above, if each establishment employed the same number of employees, the locally owned grocery store would be placed into the same establishment size class as each of the three national chain stores. Does the rate of growth of this size class tell us anything about the rate of growth of small business? No. A better measure of business size would be to use the size class of firms. In the example above, the national chain would then be three times the size of the locally-owned grocery store. The two firms would most likely be in two different size classes and their growth rates would be independent of each other. When distinguishing between small and large businesses, it is important to use the size class of a firm. The size class of an establishment is best used as a descriptor of a firm.

Firm Size vs. Establishment Size

Combining firm size with establishment size data can give a more detailed picture of a small or large business in terms of average number of locations and employment at those locations.



As shown above, the average larger business in Missouri (>500 workers) employs 56 to 97 workers at each location. Each larger firm averages 12 to 25 locations.

Smaller Missouri businesses (<500 workers) average 2 to 48 employees with 1 to 7 locations.

Source: Bureau of Labor Statistics: Quarterly Census of Employment and Wages, 1st Quarter 2006.

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Growth in Number of Firms by Industry (Large Firm vs. Small Firm)

The major contributors to the growth in the number of firms in Missouri vary according to which industry is studied. The top table identifies industries where the number of small firms is growing at a faster rate than large firms. In the bottom table, the number of larger firms is growing at a faster rate than the small firms. Small firms are defined as companies employing less than 100 workers, while large firms consist of 100 or more workers.

Industry Trends in Growth Rates for the Number of Firms (2001-2006)

Small Firm Growth > Large Firm Growth
Construction of Buildings
Specialty Trade Contractors
Wholesale Electronic Markets and Agents/Brokers
Transit and Ground Passenger Transportation
Support Activities for Transportation
Real Estate
Administrative and Support Services
Performing Arts, Spectator Sports, and Related Industries

Small businesses have benefited over the last five years from market demand in construction, real estate, and temporary workers.

Industries such as telecommunications and internet service providers have increased their firm size along with increased market demand, moving from small businesses to the level of large firms. Other large firms have benefited by increasing their presence in the market with various types of multi-location retail chains. Ambulatory Health Care Services is the only industry to experience positive gains across all firm sizes.

Large Firm Growth > Small Firm Growth
Fabricated Metal Product Manufacturing
Merchant Wholesalers
Motor Vehicle and Parts Dealers
Electronics and Appliance Dealers
Building Material and Garden Equipment and Supplies Dealers
Food and Beverage Stores
Health and Personal Care Stores
Gasoline Stations
Clothing and Clothing Accessories Stores
Sporting Goods, Hobby, Book, and Music Stores
General Merchandise Stores
Miscellaneous Store Retailers
Publishing Industries (except internet)
Broadcasting (except internet)
Telecommunications
Internet Service Providers
Rental and Leasing Services
Lessors of Nonfinancial Intangible Assets (except copyrights)
Amusement, Gambling, and Recreation Industries
Accommodation
Food Service and Drinking Places

Source: MERIC and U.S. Bureau of Labor Statistics, Quarterly Census of Employment and Wages